

CITY OF LA MIRADA

Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2006, through June 30, 2011

TRAFFIC CONGESTION RELIEF FUND

July 1, 2006, through June 30, 2011



JOHN CHIANG
California State Controller

June 2013



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California State Controller

June 19, 2013

The Honorable Steve De Ruse
Mayor of the City of La Mirada
13700 La Mirada Boulevard
La Mirada, CA 90638

Dear Mr. Robinson:

The State Controller's Office audited the City of La Mirada's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2011. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2006, through June 30, 2011.

Our audit found that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, except that the city understated the fund balance in the Special Gas Tax Street Improvement Fund by \$31,227 as of June 30, 2011, because it charged the Gas Tax Fund for ineligible expenditures.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

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Audit Report

Summary

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Our audit found that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, except that the city understated the fund balance in the Special Gas Tax Street Improvement Fund by \$31,227 as of June 30, 2011, because it charged the Gas Tax Fund for ineligible expenditures.

Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, a city must deposit all apportionments of highway users taxes in its Special Gas Tax Street Improvement Fund. A city must expend gas tax funds only for street-related purposes. We conducted our audit of the city's Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Government Code section 14556.5 created a Traffic Congestion Relief Fund (TCRF) in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The city recorded its TCRF allocations in the Traffic Congestion Relief Fund. We conducted our audit of the city's TCRF allocations under the authority of Revenue and Taxation Code section 7104.

Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Special Gas Tax Street Improvement Fund;
- Properly deposited TCRF allocations into an account designated for the receipt of state funds allocated for transportation purposes;

- Expended funds exclusively for authorized street-related purposes; and
- Made available unexpended funds for future expenditures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the city's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable assurance that the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund in accordance with the requirements of Article XIX of California Constitution, Streets and Highways Code section 2101, and Revenue and Taxation Code section 7104. Accordingly, we examined transactions, on a test basis, to determine whether the city expended funds for street purposes. We considered the city's internal controls only to the extent necessary to plan the audit.

Conclusion

Our audit found that the City of La Mirada accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation code section 7104 for the period of July 1, 2006, through June 30, 2011, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$31,227 to the city's accounting records.

Follow-Up on Prior Audit Findings

Our prior audit report, issued on August 30, 2006, disclosed no findings.

Views of Responsible Official

We issued a draft audit report on March 26, 2013. Melissa Pascual, Senior Accountant, responded by email on April 24, 2013, agreeing with the audit results.

Restricted Use

This report is intended for the information and use of the City of La Mirada's management and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

June 19, 2013

**Schedule 1—
Reconciliation of Fund Balance
July 1, 2010, through June 30, 2011**

	Special Gas Tax Street Improvement Fund	
	Highway Users Tax Allocation ¹	Traffic Congestion Relief Fund ²
Beginning fund balance per city	\$ 1,826,313	\$ 451,794
Revenues	<u>1,261,222</u>	<u>—</u>
Total funds available	3,087,535	451,794
Expenditures	<u>(1,211,529)</u>	<u>(451,794)</u>
Ending fund balance per city	<u>1,876,006</u>	<u>—</u>
SCO adjustment: ³		
Finding—ineligible sewer expenditures	<u>31,227</u>	<u>—</u>
SCO adjustment	<u>31,227</u>	<u>—</u>
Ending fund balance per audit	<u>\$ 1,907,233</u>	<u>\$ —</u>

¹ The city receives apportionments from the State highway users tax account, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street purpose. Streets and Highways Code section 2107.5 restricts apportionments to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems. The audit period was July 1, 2006, through June 30, 2011; however, this schedule includes only the period of July 1, 2010, through June 30, 2011.

² Government Code section 14556.5 created a Traffic Congestion Relief Fund (TCRF) in the State Treasury for allocating funds quarterly to cities and counties for street and road maintenance, reconstruction, and storm damage repair. The TCRF allocations were recorded in the Traffic Congestion Relief Fund. The audit period was July 1, 2006, through June 30, 2011.

³ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Ineligible expenditures**

In fiscal year 2010-11, the city recorded \$31,227 of ineligible sewer expenditures in the Gas Tax Fund.

Streets and Highways Code section 2101 specifies that all highway users tax apportionments are to be expended only for street-related engineering, administration, construction, and maintenance.

Recommendation

The city must reimburse the Gas Tax Fund for non-street-related expenditures of \$31,227. Additionally, the city should ensure that future gas tax expenditures are for eligible street purposes.

City's Response

The city agrees with the finding.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>